

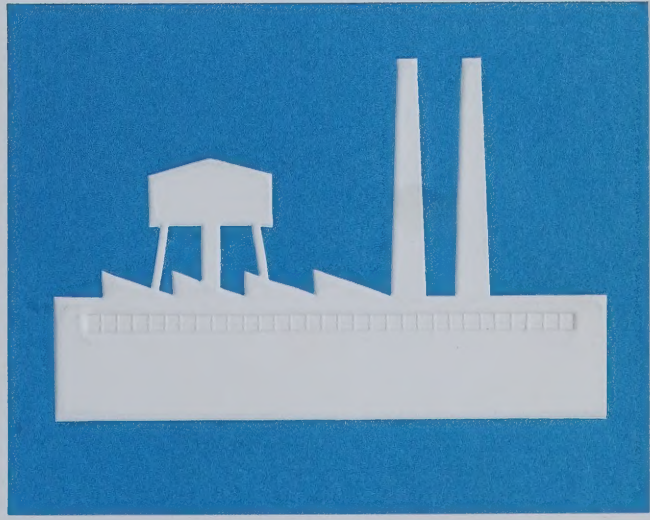
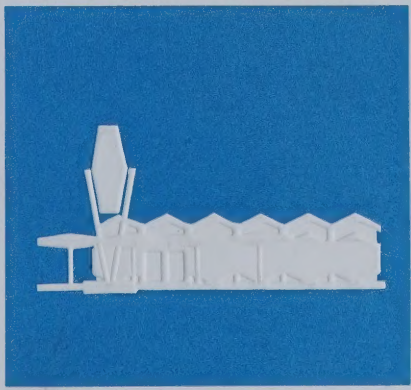
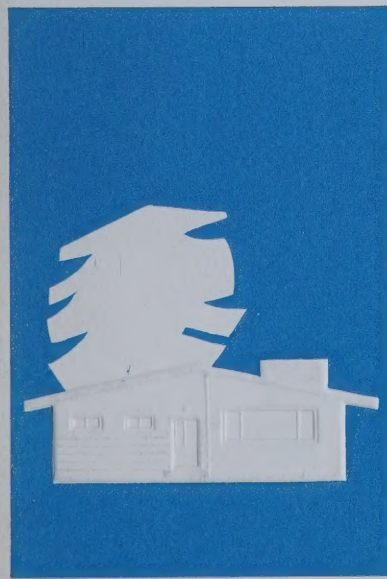


*April 15
File*

42nd ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1965

**NORTHWESTERN
UTILITIES,
LIMITED**
NATURAL GAS SERVICE





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NORTHWESTERN UTILITIES, LIMITED



REGISTERED OFFICE: 10040-104 STREET, EDMONTON, ALBERTA, CANADA

BOARD OF DIRECTORS

- H. R. MILNER, Q.C.,** *Edmonton, Alberta*
HONORARY CHAIRMAN OF THE BOARD, NORTHWESTERN UTILITIES, LIMITED
- HOWARD BUTCHER III,** *Villanova, Pennsylvania*
CHAIRMAN OF THE BOARD, INTERNATIONAL UTILITIES CORPORATION
- J. C. DALE,** *Edmonton, Alberta*
PRESIDENT, CANADIAN UTILITIES LIMITED
- G. GAETZ,** *Edmonton, Alberta*
MANAGING DIRECTOR, SELKIRK HOLDINGS LTD.
- F. T. JENNER,** *Edmonton, Alberta*
PRESIDENT, JENNER MOTORS CO. LTD.
- K. L. MacFADYEN,** *Calgary, Alberta*
VICE-PRESIDENT-COMPTROLLER, NORTHWESTERN UTILITIES, LIMITED
- J. E. MAYBIN,** *Calgary, Alberta*
EXECUTIVE VICE-PRESIDENT, NORTHWESTERN UTILITIES, LIMITED
- J. L. McINTYRE,** *Edmonton, Alberta*
PRESIDENT, JOHN L. McINTYRE INSURANCE LTD.
- O. C. McINTYRE,** *Edmonton, Alberta*
PRESIDENT, CAPITAL CITY BOX CO. LTD.
- R. C. McPHERSON,** *Edmonton, Alberta*
VICE-PRESIDENT, NORTHLAND UTILITIES LTD.
- R. M. PARSONS, M.D.,** *Red Deer, Alberta*
PARSONS CLINIC
- JOHN M. SEABROOK,** *Salem, New Jersey*
PRESIDENT, INTERNATIONAL UTILITIES CORPORATION
- A. G. STEWART,** *Edmonton, Alberta*
SENIOR PARTNER, STEWART, WEIR, STEWART & WATSON
- M. E. STEWART,** *Edmonton, Alberta*
PRESIDENT, NORTHWESTERN UTILITIES, LIMITED
- D. K. YORATH,** *Edmonton, Alberta*
CHAIRMAN OF THE COMPANY, NORTHWESTERN UTILITIES, LIMITED

OFFICERS

- | | |
|-------------------------|----------------------------|
| D. K. YORATH, | CHAIRMAN OF THE COMPANY |
| M. E. STEWART, | PRESIDENT |
| J. E. MAYBIN, | EXECUTIVE VICE-PRESIDENT |
| K. L. MacFADYEN, | VICE-PRESIDENT-COMPTROLLER |
| D. B. COLLIER, | GENERAL MANAGER |
| C. L. METCALFE, | SECRETARY AND TREASURER |
| J. E. ROBERTS, | ASSISTANT SECRETARY |
| B. T. BANKS, | ASSISTANT TREASURER |
-

NORTHWESTERN UTILITIES, LIMITED

HIGHLIGHTS

	<u>1965</u>	<u>1964</u>	<u>1963</u>	<u>1962</u>	<u>1961</u>	<u>1955</u>
Customers at Year End	117,254	113,644	108,825	104,195	98,716	65,155
Natural Gas Sales . . (thousands of cubic feet) (1) (4)	75,362,046	66,787,045	63,661,026	59,890,027	53,988,167	39,594,236
Revenue	\$24,808,726	\$22,353,888	\$20,745,466	\$19,974,648	\$18,368,356	\$ 9,627,277
Net Income	\$ 3,915,085	\$ 3,256,307	\$ 3,008,785	\$ 3,073,272	\$ 2,925,233	\$ 1,921,001
Annual Gross Additions to Plant . . (2)	\$ 5,336,280	\$ 3,154,843	\$ 5,782,073	\$ 4,301,307	\$ 2,577,809	\$ 3,123,711
Gross Plant	\$85,740,026	\$80,689,599	\$77,828,387	\$72,325,667	\$68,291,027	\$42,717,892
Miles of Pipeline . . .	2,959	2,795	2,731	2,548	2,478	1,605
Maximum Daily Demand (thousands of cubic feet)	384,918	426,741	348,889	318,899	311,248	225,737
Communities Served . . (3)	81	80	78	78	74	30
Population Served . . .	499,000	470,000	451,000	424,000	406,000	269,000

(1) As therm billing was instituted in 1959, natural gas sales have been adjusted to a 1000 BTU equivalent basis for the years 1961 through 1965.

(2) Ten year total of gross additions to plant \$46,022,390.

(3) Figures prior to 1964 have been adjusted by deleting suburban communities now annexed to other communities. Statistics are now comparable in all years.

(4) 1965, 1964 and 1963 totals include gas sales to other producing companies.

42nd ANNUAL REPORT OF THE DIRECTORS

To the Shareholders

In 1965 Northwestern Utilities, Limited established new highs in natural gas sales, operating revenue, net income and earnings per share. Per share earnings were \$2.06, an increase of 39 cents over 1964 earnings of \$1.67.

Gas sales in 1965 were approximately 75.4 billion cubic feet, an increase of 8.6 billion from 1964. The weather in 1965 was much colder than the long-term average while that in the previous year was somewhat warmer than normal. Had normal weather prevailed in both years it is estimated that sales would have shown an increase of approximately 5.3 billion cubic feet or 7.8 per cent.

Revenue from gas sold or transported totalled \$24,809,000, an increase of \$2,455,000 from 1964. Again, had temperatures been normal in both years, it is estimated revenues would have increased only by \$1,397,000. Except for minor downward adjustments in a few smaller centres, gas rates remained unchanged from 1964 and, as for many years, continued to be among the lowest on the North American continent.

At year end there were 117,254 customers served from the system, an increase of 3,610 during the year. Natural gas service was extended to the town of Swan Hills, 130 miles northwest of Edmonton, increasing the number of communities served by the company to 81.

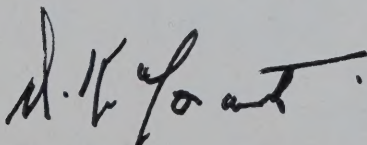
During 1965 the City of Edmonton agreed with the company to an extension to 1975 of the date upon which the City may exercise its recurring right to purchase certain of the assets of the company.

In May, 1965, B. F. Willson retired as President, and from the board of the company, in order to assume the presidency of another corporation. J. B. Whelihan retired after serving for many years as Treasurer and more recently also as a director. M. E. Stewart, formerly Vice-President and General Manager, was appointed President as successor to Mr. Willson. J. E. Maybin, previously Vice-President - Engineering and Gas Supply, assumed the position of Executive Vice-President. D. B. Collier, formerly Manager of Production and Transmission, was appointed General Manager, and the Secretary of the company, C. L. Metcalfe, was appointed to the position of Secretary and Treasurer.

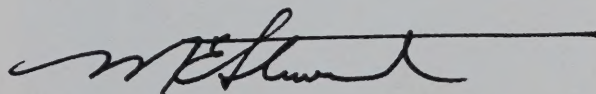
Vacancies on the board of directors created by the resignation of Mr. Willson and the retirement of Mr. Whelihan were filled by the appointment to the board of Mr. Maybin and Mr. J. M. Seabrook.

The very successful operational and financial results recorded for the year are in large measure due to the effective performance of the employees of the company, to whom the directors express their sincere appreciation.

By Order of the Board of Directors,



D. K. Yorath
Chairman



M. E. Stewart
President

March 3, 1966

NORTHWESTERN UTILITIES, LIMITED

THE YEAR IN REVIEW

Gas Sales

The increase of 8.6 billion cubic feet in gas sales, over the 1964 level of 66.8 billion, represents an increase of 12.9%. Residential and commercial sales increased by 5.2 billion cubic feet and industrial sales by in excess of 3.4 billion.

Practically all residential and commercial customers use natural gas for space heating, and consumption is therefore sensitive to variation in temperature. The average temperature in 1965 was 1.7 degrees below the long term normal, and, as a result, it is estimated that sales in the residential and commercial categories were 2.1 billion cubic feet greater than they would have been had temperatures been normal. The balance of the increase of 3.1 billion cubic feet arises from the fact that 1964 temperatures were somewhat above the long-term average, and from the addition to the system in 1965 of approximately 3,600 new customers.

No major new industrial customers were added during the year but these sales, which are not significantly affected by temperature variation, nonetheless showed an increase of 9.3% because of greater sales to existing customers and the connection of a number of new small industrials.

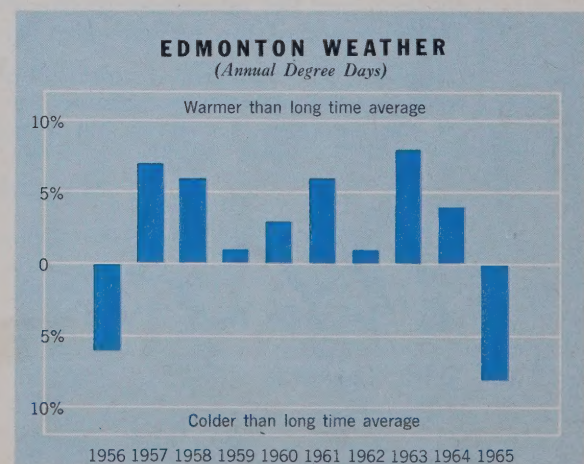
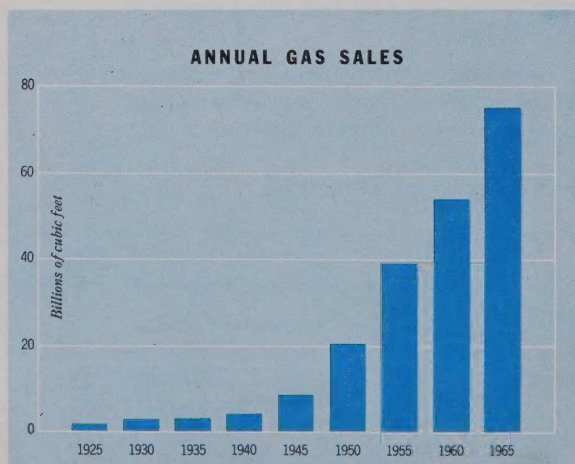
Marketing

Natural gas continues in the company's service territory to be the energy source for the major uses in the home, enjoying virtually 100% of the space heating and water heating market. Electricity continues to be a competitive factor in residential cooking and clothes drying.

Commercial development was at a record level in 1965 with the construction of many major buildings, including a 26-storey office tower, two large hotels, a number of high rise apartment buildings, extensive new facilities at the University of Alberta and at the Northern Alberta Institute of Technology, and many hospital and school projects.

Two new "total energy" customers were added, a plastic products manufacturing plant, and a large dairy farm. Natural gas supplies all the energy needs of these customers for heating, cooling and on-site generation of electricity.

New industrial customers include a petrochemical plant that uses natural gas in the production of high grade (97% pure) hydrogen sulphide and carbon dioxide, a plant manufacturing molded paper cartons and a large concrete block plant.



An offer has been made to supply natural gas for a new City of Edmonton power plant. The first of two 165 megawatt, gas-fired, generating units is to be installed in 1970. The initial peak requirement for the new plant, 28 million cubic feet per day, is estimated to increase to 98 million cubic feet per day by 1980.

Discussions on long-term natural gas supplies have been held with a number of large industrial firms who are investigating the economics of expanding their operations into Alberta.

The company takes a very active role in industrial development, working to supply low cost, long-term energy supplies to new and expanding industries. It also provides gas utilization service and assists in the work of various industrial development agencies.

Significant increases in natural gas sales are forecast as the Province of Alberta appears to be entering a period of accelerated economic development. Many major projects are under way or proposed, including the \$230 million Great Canadian Oil Sands project at Fort McMurray, a "railroad to resources" north from Hinton, a pulp mill in the Whitecourt area, major installations in the petrochemical field, the marketing of the Smoky River coking coal deposits, increased activity in the oil and gas industry, and the establishment of a basic steel industry using Peace River iron ore.

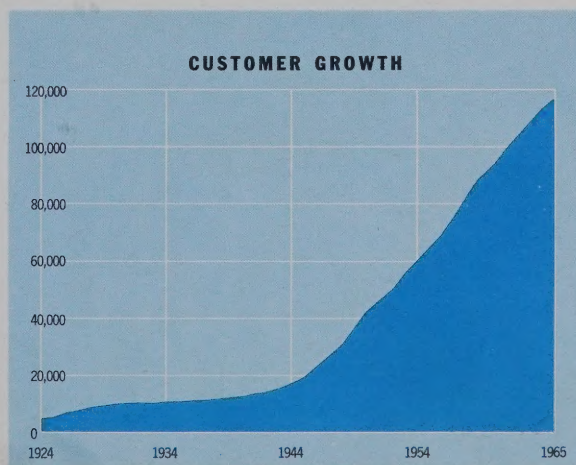
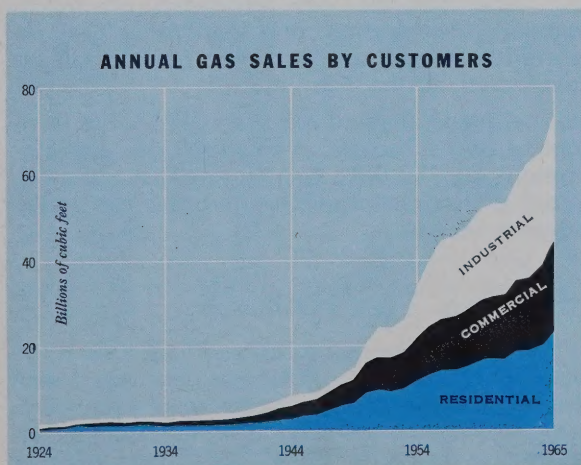
Gas Supply

At December 31, 1965, the recoverable gas reserves in the fields connected to Northwestern Utilities' system were estimated to be 3,113 billion cubic feet.

Approximately one third of the total 1965 gas requirements of the system were produced from the company's own properties, including the Beaverhill Lake field which was connected to the company's system during the year. A substantial block of acreage in the Beaverhill Lake field was purchased during the year. The company owns the majority of the acreage in the field and is negotiating for the remainder.

Late in the year, arrangements were made to purchase, on an annual basis, substantial quantities of gas from Imperial Oil Limited in the Fairydell-Bon Accord gas field, with production commencing in November. The bulk of the remainder of the system gas requirements were obtained from gas processing plants in the major oil fields in the Edmonton area, namely Pembina, Swan Hills, Bonnie Glen, and Devon.

In order to conserve the company's own sources of dry gas, which are invaluable for cold weather deliverability purposes, substantial quantities of gas were purchased from Alberta and Southern Gas Co. Ltd. The company has a contractual right to purchase gas

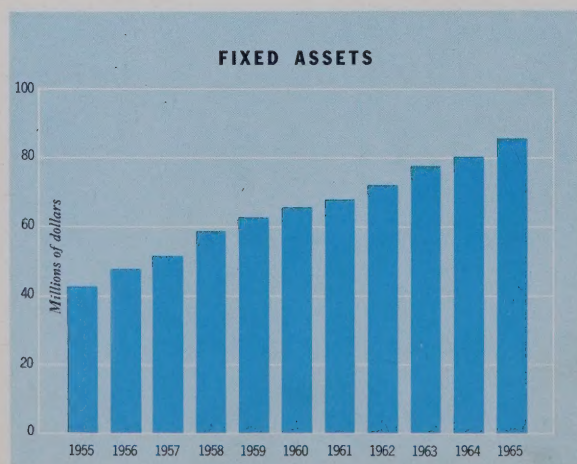


from Alberta and Southern Gas Co. Ltd., and also from Trans-Canada Pipe Lines Limited, on favorable terms. The quantities that might be purchased from these export companies are not reflected in the reserve figure quoted above.

The company's attitude to the export of natural gas from Alberta continues to be one of favoring such export so long as the future requirements of the Alberta consumer are adequately protected. The company has presented this point of view forcefully at hearings held for the purpose of examining applications for the export of additional quantities of gas.

During the year arrangements were made to commence the purchase, during 1966, of gas from three new sources. Two of these sources are located in the Pembina oil field. The third and largest new source is the Paddle River gas field, located approximately 70 miles northwest of Edmonton. Late in the year a company-owned pipeline was built from the Paddle River field to Edmonton. In the case of each of these new sources, favourable price and load factor arrangements were made.

At the end of 1964, the company estimates reserves of 472 billion cubic feet remaining in the properties owned by it in the Fairydeil-Bon Accord, Fort Saskatchewan, Beaverhill Lake and Viking-Kinsella dry gas fields. These fields supplied approximately 61% of the 1965 actual peak day gas requirements of 385 million cubic feet.



The contract covering residue gas purchases from Imperial Oil's Devon gas conservation plant reached the end of its term in mid-year and was renewed for a further period.

In co-operation with two partners, the company continued a gas exploration and development program in the Lac La Biche area north of Edmonton. Late in 1965 the natural gas reserves controlled by the group in this area were contracted to Trans-Canada Pipe Lines. There are no pipeline facilities existing at present by which the gas in which the company has an interest could be brought into the Edmonton area, nor would it be economic for the company to do so. The company anticipates that in the future it will be able to obtain, in favourable terms, large quantities of gas from the facilities which will be built to carry Trans-Canada's gas to export markets in the east.

New Construction

The gross expenditure on new plant in 1965 amounted to \$5,336,000. Almost \$1,200,000 was expended on production facilities, the most significant item being the cost of connecting the substantial company-owned gas reserves of the Beaverhill Lake field to the company system. Approximately \$1,500,000 was paid for transmission line construction connecting the Paddle River gas field, referred to under "Gas Supply," to the company's main markets.

The balance was expended on transmission, distribution and general plant required to extend service to the new customers connected during the year.

Capital expenditures for 1966 are estimated at \$4,355,000. This includes approximately \$1,750,000 for the further development of the company's owned and controlled sources of gas.

Income Tax Rebate

The company is subject to Canadian Federal Income Tax. This has contrasted with the tax exempt status of provincial and municipal government-owned utilities and has resulted in pressure at various times for the

expropriation of the company's properties in order that the consumer might escape this tax burden.

In mid-1965 the federal Minister of Finance announced that, effective with the tax year commencing January 1, 1966, the federal government would rebate to the various provincial governments 95% of the federal income tax paid by the shareholder-owned gas and electric utilities located within those provinces.

The Premier of the Province of Alberta has announced that the government of Alberta will pass the full rebate on to the utilities, provided they in turn agree to pass it on to their customers. The company has given this assurance to its customers.

As yet the necessary legislation has not been passed by the federal government but it is expected that it will be passed in 1966. Pending passage of the necessary legislation, details concerning the actual time when the funds will become available to the company and the manner in which they will be passed back to the customer have not been fully worked out.

There is no doubt that this return to the customer of the income tax paid by him through his gas or electric bill will remove most of the pressure for government ownership. Whereas previously the proponents of government ownership could argue a likely monetary saving to the customer, this cannot now be used against the shareholder-owned utility.

Staff

A number of senior staff appointments were made during the year, following the changes in management already noted in the report to the shareholders. Ronald N. Dalby was appointed to the new position of director of marketing for Northwestern and its associate, Canadian Western Natural Gas Company Limited.

Mr. Dalby previously was manager of sales and industrial development. He was succeeded in this position by Bruce M. Dafoe. Mr. Dafoe had been assistant to the general manager. When David B. Collier became

general manager he was succeeded as manager of production and transmission by Elmer F. Provost. Mr. Provost previously filled this same position with Canadian Western Natural Gas Company.

At the year's end there were 594 employees on the establishment of the company. The company has a well-trained and experienced staff with the result that the company continues to offer the highest possible standard of service.

The company continues also to improve its efficiency. One measure of this is that 10 years ago the number of customers served per employee was 129. In 1965 this figure had risen to 194, an improvement of 50%.

Centennial Project

During the year the company announced it would, in association with its affiliated companies, produce, as a centennial project, a natural history of Alberta. This 300-page book will provide an invaluable reference for schools, universities, tourists and others interested in the natural history of the province.

The book will have three main sections. The first will contain chapters on astronomy, geology and palaeontology, climate, and the physical geography of the province. The second will describe the flora and fauna of Alberta. The third will consider man in Alberta, under a chapter on archaeology and a chapter on history dating from the arrival of the white man to the present.

The company expects wide distribution to be given to the volume, and an initial run of 20,000 copies is to be provided. It will be distributed by book stores throughout Alberta, Canada and the United States.

Combined Statistics

Published in this report is a table showing the combined statistical data for Northwestern Utilities and its associate, Canadian Western Natural Gas Company Limited. Together the two companies provide natural gas to 166 Alberta communities. The combined report shows the growth of natural gas service in Alberta and is included here for further information.

Uses of natural gas in Alberta

Natural gas has been called the fuel of 10,000 uses. On the following pages are shown just a few of the residential, commercial and industrial applications of natural gas in Alberta.

House-heating, water-heating, cooking, clothes drying and refuse incineration are the major uses of natural gas in the home. Infra-red heaters, gas lamps and torches, swimming pool heaters and barbecues bring modern living outdoors.

Natural gas does commercial heating and air conditioning and substantially all the commercial cooking and baking.

Natural gas is a vital source of raw material for Alberta's petrochemical plants.

Among its multitude of industrial uses are heating, forging, cutting, melting, annealing and curing. The production of processed steam in a wide variety of plants would be much more expensive without natural gas.

Electric power generation and direct-driven engines for compressing and pumping are important. In a number of total energy installations natural gas is the sole source for all energy needs whether these are heating, air conditioning or the generation of electric power.

And what about tomorrow?

Research laboratories are discovering and perfecting many new exciting applications such as the fuel cell which will one day use gas to provide all the energy required even in the home. Offshoots of the space age and as modern as the age that has spawned them, these developments will enable natural gas to make an even greater contribution to progress and to better living.

Natural gas fires the roaring inferno of a brick kiln where temperatures of 1,920 degrees are required for curing. Three days are needed for heating and cooling in a kiln which can produce 350,000 bricks a week.



NATURAL GAS - *creative energy at work*

Metals



Natural gas cutting torches slice steel plate into precise shapes for industry.

Natural gas is Alberta's most versatile source of energy. Its benefits surround us each day. Burners can provide a gentle flame under a kettle or a roaring inferno in a brick kiln.

It is a major factor in the economy of Alberta where it helps business and industry produce thousands of articles from drill bits to bread, from fertilizers to fibre food trays or from building materials to petrochemicals. A few examples of natural gas at work are shown on these pages.

This is the story of natural gas—the versatile fuel with “energy to burn.”

Metals

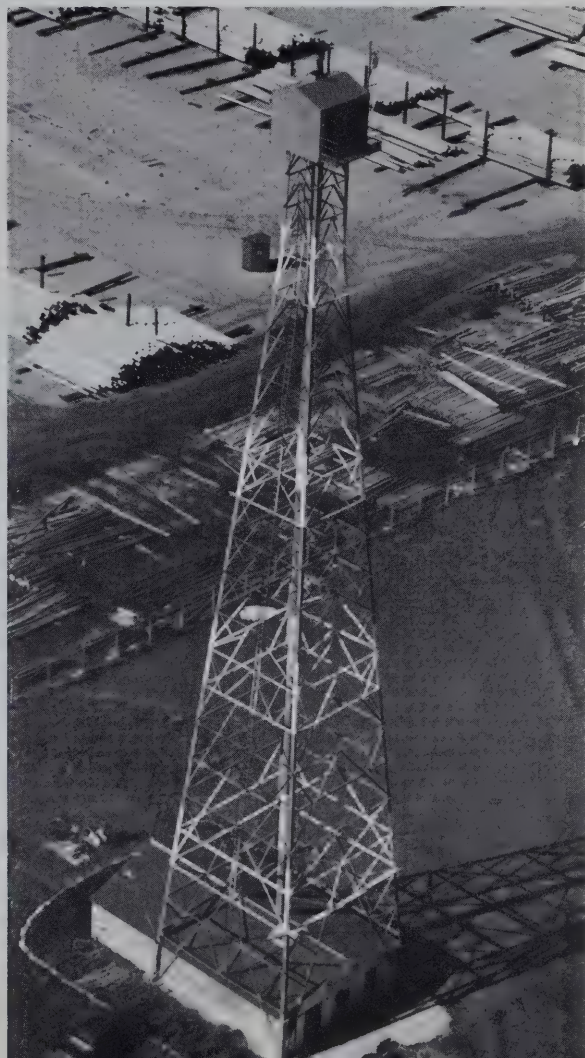


Natural gas is widely used in the manufacture of well drilling bits. Here are seen the 2,200-degree forge furnace, the gas-fired pre-heat for welding and the finished drill bits.



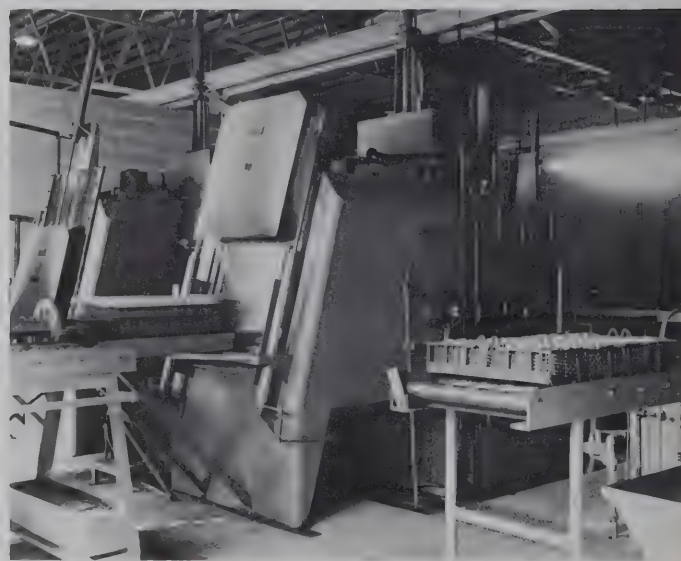
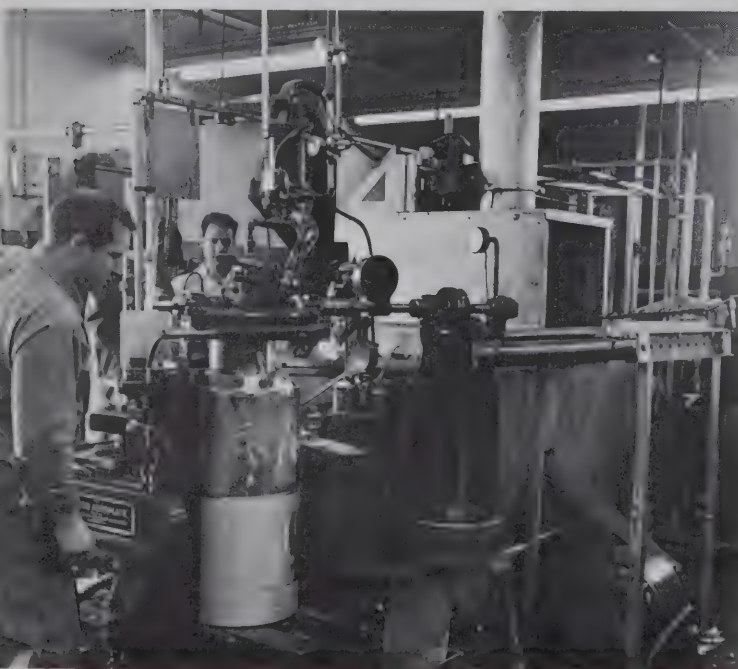
Cultivator blades are hard-faced with the aid of a spectacular pre-heating gas torch.

At the top of this shot tower natural gas melts lead which is poured through screens to fall 150 feet to form shot for shotgun shells.





Stress relieving huge pressure vessels is no problem for this big annealing oven. Forty feet long, it can handle vessels up to 15 feet in diameter and weighing up to 150 tons. Gas-fired, and with automatic controls, it can maintain required temperatures within a 10-degree range, all the way up to 1,600 degrees.



Steel heat treating in a carburizing furnace may call for controlled temperatures up to 1,750 degrees in the presence of a carbon atmosphere produced from raw natural gas.

In newspaper production natural gas is required to melt as much as four tons of lead for type in an 80-page newspaper.

Metals

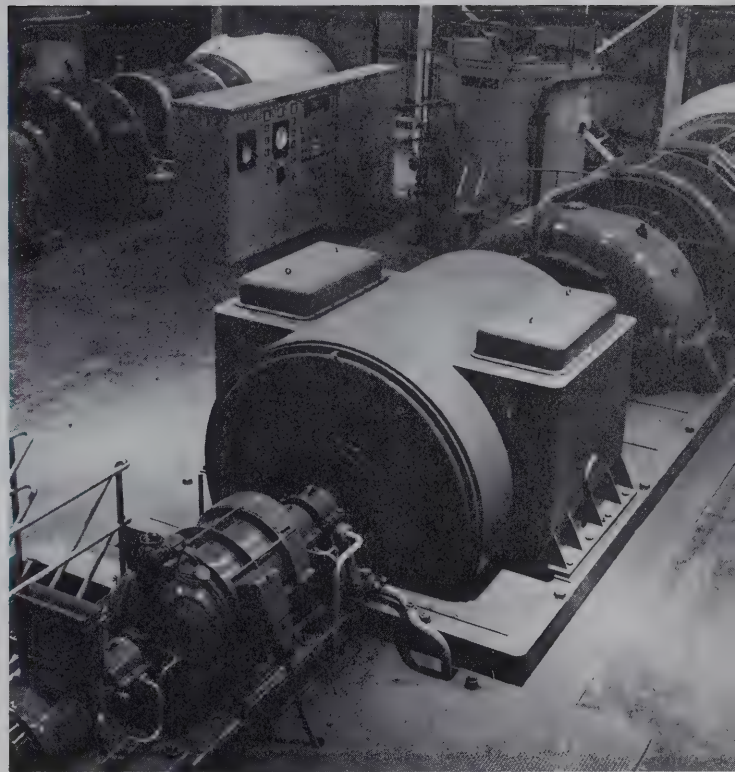


Molten brass, at a temperature of 2,000 degrees, is here being poured into a mould. Other casting metals require temperatures from 850 to 3,000 degrees, additional jobs for the flexible gas flame.

Gas-fired furnace bakes paint on sheets of aluminum, seen here being cut into rolls for wall siding and awnings.

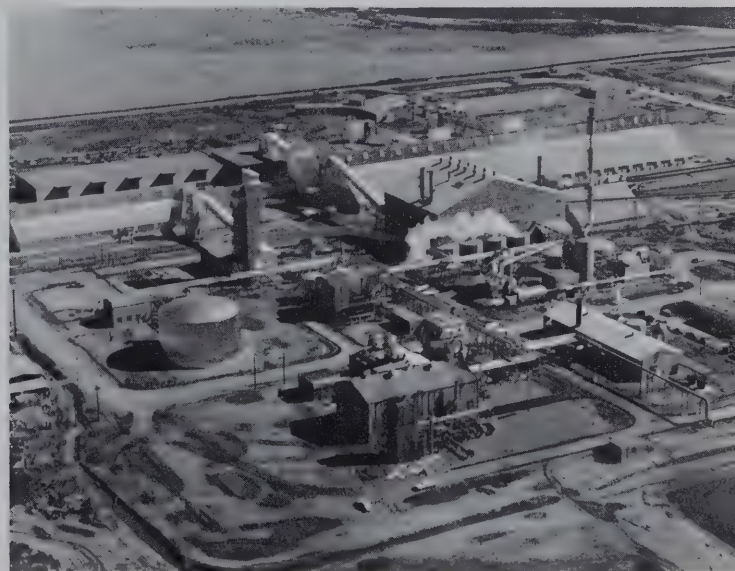


Power generation



Huge natural gas turbines generate electricity in city power plants.

Fertilizers



In fertilizer production gas is not only used to produce steam but is also the vital raw material in the manufacture of ammonia which is converted to fertilizer.

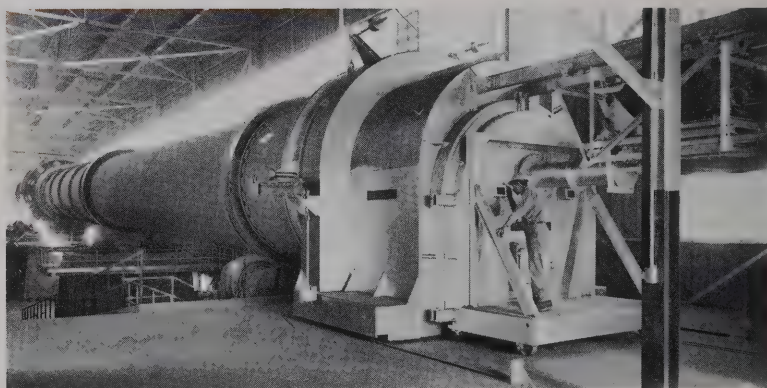


Building materials

Natural gas is important in the plywood industry. Here in a huge oven sheets of veneer are dried by the thousand. Gas also produces steam for exerting pressure for laminating.



Gouged from a mountain of limestone, rock is burned in gas-fired kilns in nearby plant to produce lime.



Inside a cement kiln natural gas actually burns rock to form clinkers which are ground into cement powder.

Other products

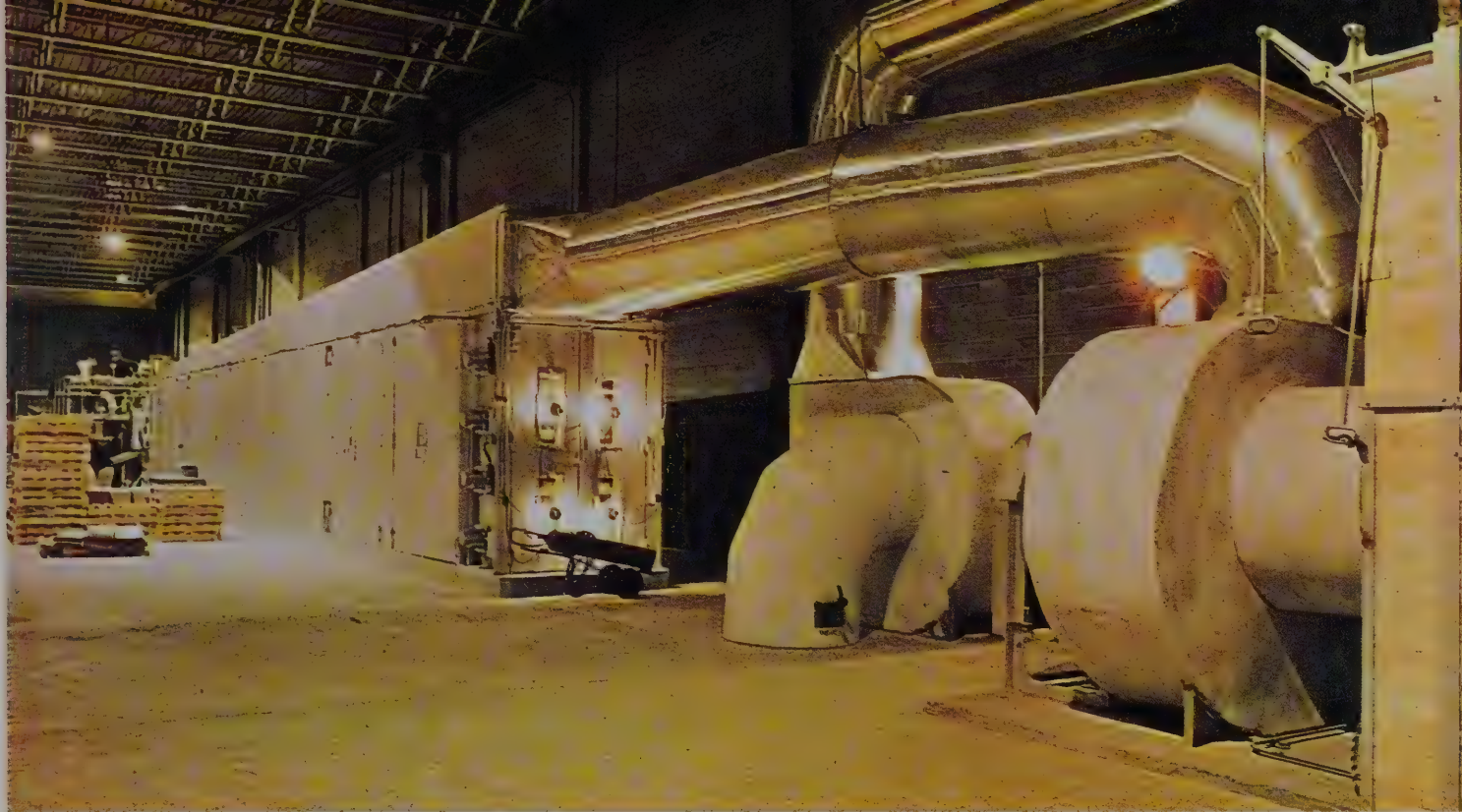


Natural gas is an aid in the manufacture of many products such as garments and rubber tires.

Production of tires requires huge volumes of steam, principally in the curing and forming processes.

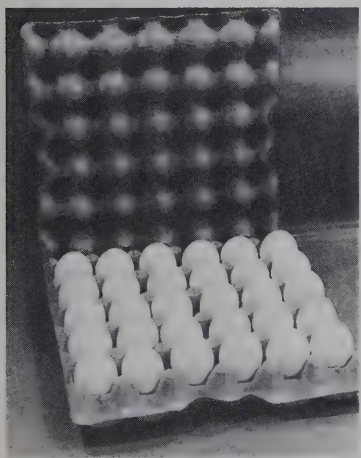
Permanent creases are put in trousers when they are baked in a gas oven.



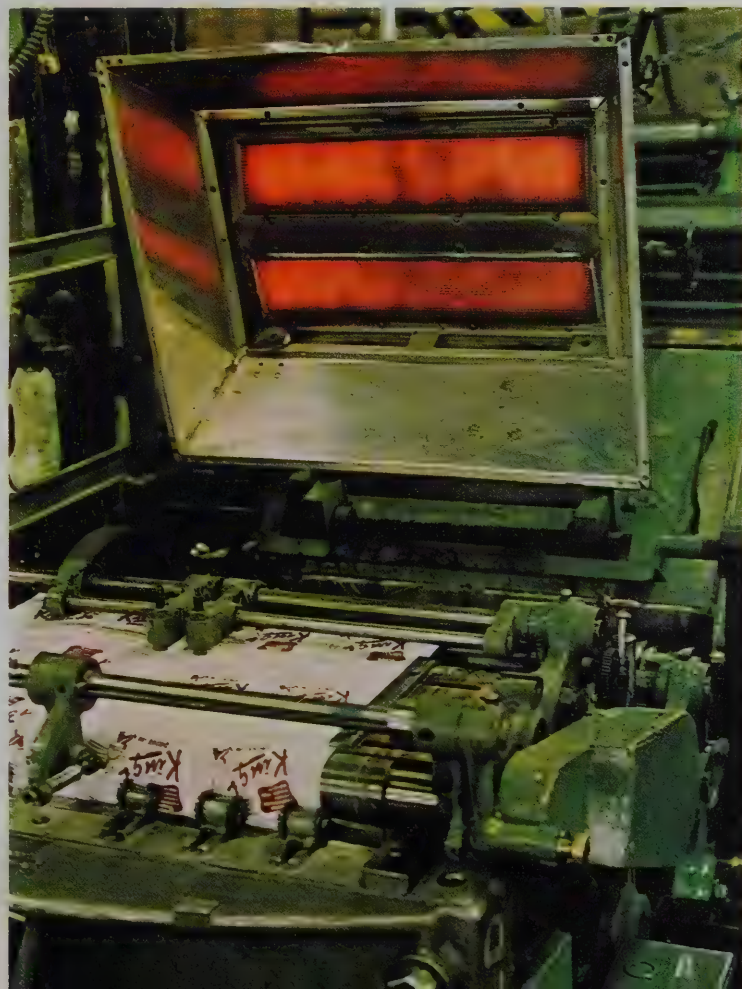


Paper products

Natural gas is used not only for baking food products but for other things such as strong, light-weight fibre trays. Huge bake ovens produce egg crate dividers, like those below, meat and food trays and picnic plates.



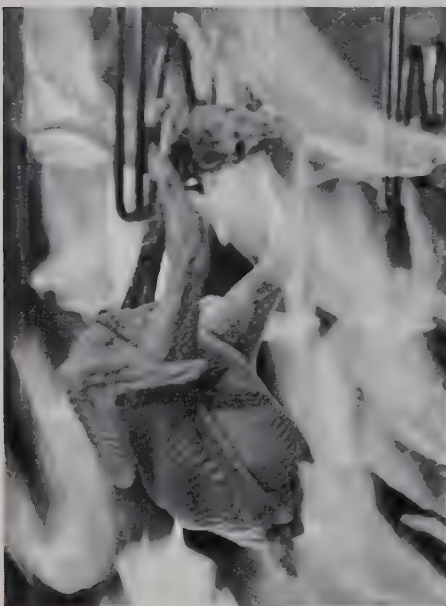
Gas-fired infra-red heaters are widely used in industry for rapid heating such as drying printing inks in making waxed paper containers for foods of all sorts.



Food production



Huge poultry farms depend on natural gas for life-giving warmth to as many as 225,000 chickens at a single time. Here again the flexible flame of natural gas provides precise temperature control.



Gas flames remove the fine hairs from a chicken in one second. Such an assembly line can singe 8,000 chickens in a single day.



Milk canners use a natural gas flame to heat a soldering tip which seals cans at the rate of 100,000 a day.



Meat canning plants use gas-produced steam to cook as many as 8,500 cans of meat at one time.



Food production

(Top left.) Roaring torches can singe 2,800 hogs a day in a packing plant.

(At left.) These sides of bacon have been smoke-cured by automatic saw-dust burners, fired by natural gas.

Production of sugar, one of Southern Alberta's largest industries, requires large volumes of natural gas to convert sugar beets into refined white table sugar.



Food preparation



Commercial bakeries depend on natural gas for economy, flexibility and reliability. One such bakery can produce as many as 36,000 loaves of bread and 9,000 buns a day.



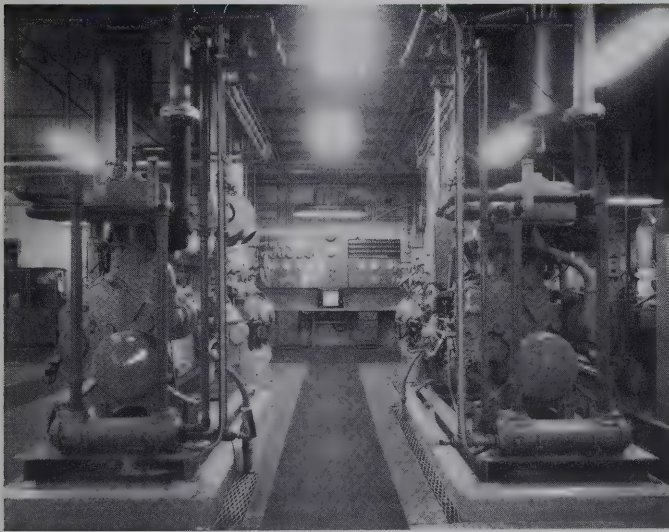
A modern restaurant kitchen uses as many as 15 direct fired gas appliances and 22 steam appliances—ranging from coffee makers to huge dishwashing machines and fryers to bake ovens.





Energy at work

Total energy—the ultimate in gas efficiency, utilizes all the energy in natural gas. Not only does it generate power for electricity, but it recovers heat for hot water, heating and cooling buildings. This school is a good example of such an installation.



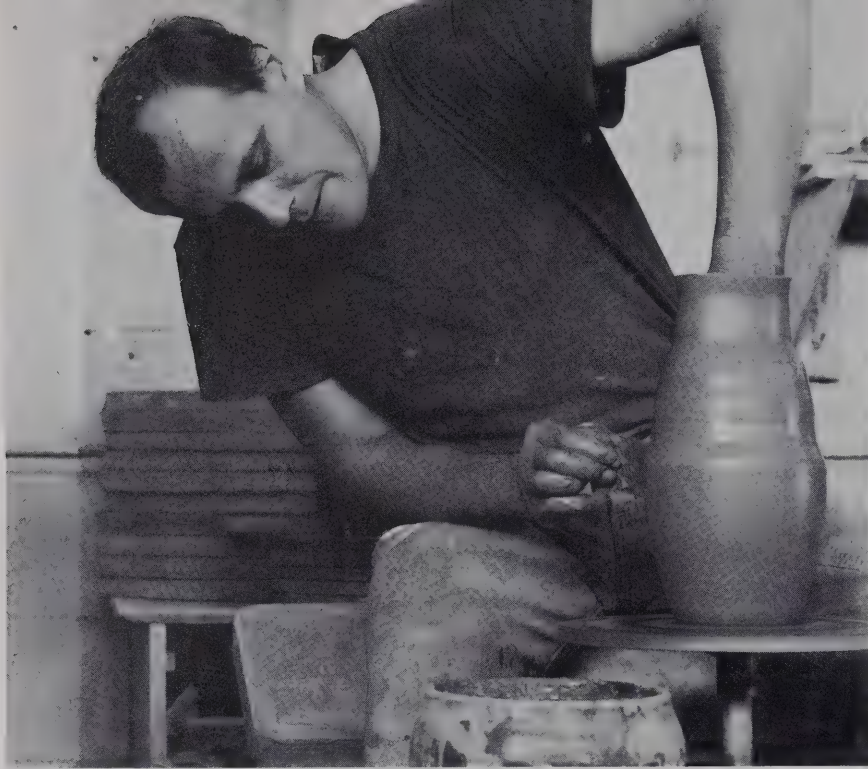
Gas torches provide charm to any outdoor location. Here they provide an unusual decorative effect to a hotel entrance.



Gas engines are widely used for driving compressors for refrigeration, pumps, fans and power drives in dairies, hospitals, artificial ice plants, shopping centres and similar businesses.

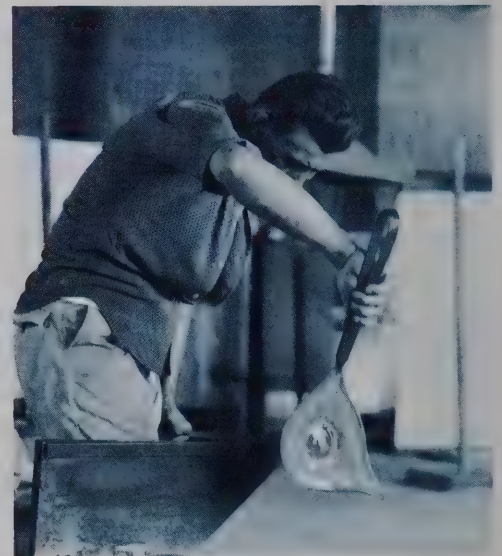


The popularity of sprinkler irrigation with natural gas engine water pump drive is increasing rapidly throughout southern Alberta. Thousands of acres have been converted to natural gas systems in the past few years.



Glass and pottery

A lot of energy goes into the manufacturing of pottery, energy of the skilled craftsman and energy of natural gas to bake articles at 2,300 degrees.



Elegant glass vases and trays are produced by expert hands. Natural gas furnaces provide the molten glass and once the object is shaped it is treated in a gas furnace.



Silent hot tips of glass welding machine seal the end of a television tube.



Plant growth

Carbon dioxide is a new concept in the greenhouse business for increasing plant growth. A natural gas furnace is the ideal "factory" for the job as it supplies heat for the greenhouse and carbon dioxide for the atmosphere.



Comparison of plant growth is shown by two variegated plants, both of which have the same growing time, the larger produced in an atmosphere enriched with carbon dioxide.

Space heating



Natural gas is the finest possible fuel for space heating. Its flexibility makes it suitable for forced air, steam and hot water systems, infra-red and unit heaters. A typical example of delicate heating is an aviary where unit air heaters provide warmth the year round for tropical birds.



Gas in the home



For many people the gas dryer is the biggest saver in the home — it saves time, work, worry, clothes, space, health, ironing and money.



Modern gas ranges provide fast flexible cooking with greatest economy, finest flavor and perfect baking results.



Gas and home comfort go together, the convenience of modern gas cooking, the luxury of plenty of hot water, the economy of a gas clothes dryer and the comfort of wonderful warmth in all seasons.



Natural gas moves outdoors

Beauty and bathing go together, even in cool weather, when swimming pools are heated with natural gas.

The mellow glow of a gas light gives an extra welcome to visitors no matter what the weather. Located on patios, driveways and walks gas lights are both decorative and useful.

Gas barbecues combine convenience, cleanliness and efficiency of modern indoor cooking with the enjoyment of outdoor eating.

NORTHWESTERN UTILITIES, LIMITED



BALANCE SHEET

(with comparative figures)

ASSETS

Fixed assets:

Property, plant, leases, rights, gas wells and equipment subject to amortization and depreciation, at cost
Less accumulated amortization and depreciation

<u>1965</u>	<u>1964</u>
\$85,740,026	\$80,689,599
23,683,838	21,608,183
62,056,188	59,081,416

Leases, wells and property rights, at cost, less amount written off \$300,000 . .

248,620	258,620
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Net fixed assets

62,304,808	59,340,036
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Investments not having market quotations, at cost

991,416	991,416
----------------	---------

Current assets:

Cash
Short term investments, at cost
Marketable securities, at cost (quoted value \$517,215; 1964—\$1,019,345) . .
Accounts receivable
Due from parent and affiliated companies
Materials and supplies at or below average cost
Prepaid expenses

479,565	282,010
500,000	3,700,000
260,071	718,511
2,960,341	2,986,431
10,328	21,037
664,620	645,279
61,598	27,153

Total current assets

4,936,523	8,380,421
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Unamortized debt discount and expense

525,712	557,465
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Other deferred charges

104,611	116,559
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Approved on behalf of the Board:

D. K. YORATH, Director

M. E. STEWART, Director

\$68,863,070	\$69,385,897
---------------------	--------------

figures for 1964)

Capital stock and surplus:

Authorized—120,000 shares of a par value of \$100 each . \$12,000,000

Issued—105,000 shares of a par value of \$100 each

Authorized—3,000,000 shares without nominal or par value, issuable for a maximum consideration of \$7,500,000.

Issued—1,700,000 shares without nominal or par value	1,700,000
Earned surplus (Note 1)	1,300,000

Total capital stock and surplus

Funded debt (Note 2)

37/8 % Promissory notes payable, due September 1, 1969	
Less payments due within one year	

Accounts payable and accrued charges	\$ 67,890,000
Interest accrued on funded debt and notes payable	1,000,000
Sinking fund payments due within one year	1,000,000
Payments on promissory notes due within one year	1,000,000
Due to affiliated company	1,000,000
Dividend payable	1,000,000
Income taxes accrued (Note 3)	1,000,000
Other taxes accrued	1,000,000
Total	\$ 73,890,000

Total current liabilities

Consumers' deposits

[illegible]25

NORTHWESTERN UTILITIES, LIMITED

STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 1965

(with comparative figures for 1964)

	<u>1965</u>	<u>1964</u>
Operating revenue:		
Natural gas sales	\$24,715,425	\$22,166,334
Gas transportation	93,301	187,554
	<u>24,808,726</u>	<u>22,353,888</u>
Operating expenses and taxes:		
Natural gas purchased (Note 5)	6,448,905	6,131,745
Operating	5,086,032	4,622,754
Maintenance	900,215	785,768
Directors' fees	13,200	8,250
Salaries of directors and executive officers	152,535	152,909
Legal fees and disbursements	10,401	16,088
Taxes—income (Notes 3, 4 and 5)	3,270,000	2,740,000
Taxes—other than income	1,617,035	1,405,396
Depreciation exclusive of \$165,950 included in operating and other accounts (1964—\$149,541)	2,207,133	2,066,144
	<u>19,705,456</u>	<u>17,929,054</u>
Net operating income	<u>5,103,270</u>	<u>4,424,834</u>
Other income:		
Gain on disposition of marketable securities	27,257	15,000
Interest and dividends	205,153	260,051
Miscellaneous	31,640	85,365
	<u>264,050</u>	<u>360,416</u>
	<u>5,367,320</u>	<u>4,785,250</u>
Income deductions:		
Interest on long term debt	1,417,411	1,494,108
Proportion written off debt discount and expense	31,753	31,764
Premium on bonds redeemed	3,071	3,071
	<u>1,452,235</u>	<u>1,528,943</u>
Net income	<u>\$ 3,915,085</u>	<u>\$ 3,256,307</u>

See the accompanying notes to the financial statements.

STATEMENT OF EARNED SURPLUS

YEAR ENDED DECEMBER 31, 1965

Balance at December 31, 1964			\$15,545,545
Add:			
Net income for the year			<u>3,915,085</u>
			19,460,630
Deduct:			
Dividends:			
4% Cumulative preference shares	\$ 420,000		
Common shares	<u>2,380,000</u>		<u>2,800,000</u>
Balance at December 31, 1965			<u>\$16,660,630</u>

See accompanying notes to financial statements.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Northwestern Utilities, Limited as of December 31, 1965 and the statements of income and earned surplus for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of income and earned surplus present fairly the financial position of the company at December 31, 1965 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Edmonton, Alberta
February 8, 1966.

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants

NORTHWESTERN UTILITIES, LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1965

1. The 3 $\frac{3}{8}$ % promissory notes and the trust deed securing the first mortgage bonds impose certain restrictions on the payment of dividends and management fees and upon the redemption or repayment of the company's preference and common shares.

2. Funded debt:

	1965	1964
First mortgage sinking fund bonds:		
3 $\frac{1}{2}$ % Series B, due December 15, 1971	\$ 4,500,000	\$ 4,500,000
Less redeemed and cancelled	2,822,000	2,617,250
	<u>1,678,000</u>	<u>1,882,750</u>
3 $\frac{1}{2}$ % Series C, due December 15, 1971	2,000,000	2,000,000
Less redeemed and cancelled	1,213,000	1,122,000
	<u>787,000</u>	<u>878,000</u>
3 $\frac{5}{8}$ % Series D, due December 15, 1971	5,000,000	5,000,000
Less redeemed and cancelled	2,832,500	2,605,000
	<u>2,167,500</u>	<u>2,395,000</u>
3 $\frac{5}{8}$ % Series E, due December 15, 1975	5,000,000	5,000,000
Less redeemed and cancelled	2,170,000	1,965,000
	<u>2,830,000</u>	<u>3,035,000</u>
4 $\frac{3}{4}$ % Series F, due January 15, 1979	4,500,000	4,500,000
Less redeemed and cancelled	1,530,000	1,350,000
	<u>2,970,000</u>	<u>3,150,000</u>
5 $\frac{3}{8}$ % Series G, due April 15, 1983	7,000,000	7,000,000
Less redeemed and cancelled	1,070,000	885,000
	<u>5,930,000</u>	<u>6,115,000</u>
Less purchased for sinking fund	185,000	203,500
	<u>5,745,000</u>	<u>5,911,500</u>
5 $\frac{3}{4}$ % Series H, due March 1, 1988	12,000,000	12,000,000
Less redeemed and cancelled	630,000	315,000
	<u>11,370,000</u>	<u>11,685,000</u>
Less purchased for sinking fund	315,000	—
	<u>11,055,000</u>	<u>11,685,000</u>
Total funded debt, less redeemed and cancelled or purchased for sinking fund	27,232,500	28,937,250
Less cash sinking fund payments due within one year	908,250	1,223,250
Funded debt less current maturities	<u>\$26,324,250</u>	<u>\$27,714,000</u>

NOTES TO FINANCIAL STATEMENTS

(CONTINUED)

3. When computing taxable income for the years 1954 to 1961 inclusive, depreciation has been claimed at maximum rates permitted by the Income Tax Act (being a greater allowance than that provided for in the accounts of the company) which effected a postponement in income taxes to future years of a total amount of \$1,851,000, which was not recorded in the books of the company. Commencing in 1962, the company has claimed depreciation for tax purposes only to the extent that depreciation has been provided for in its accounts.
 4. During 1962 and subsequent years, the company acquired certain natural gas rights which, under 1962 amendments to the Income Tax Act, must be claimed against income in the year in which payment therefor has been made. Consequently, the company claims such items for tax purposes in the year of payment which effects a postponement in income taxes to future years. These amounts will be used to reduce reported income tax expense in future years when the amortization of the assets acquired is charged against income. In 1965, taxes were postponed in the approximate amount of \$188,379 and amounts were used to reduce reported income tax by approximately \$81,478.
 5. During 1964, supplies of gas to be purchased from other gas producers were unexpectedly reduced resulting in higher than anticipated use of the company's own reserves. It was anticipated that in future years the situation would be materially different and in the interest of stabilizing consumer rates, the cost of purchased gas was increased by \$781,258 over actual cost, the provision for income taxes was decreased by \$375,004 and the future net liability of \$406,254 was reserved for on the balance sheet. During 1965, \$390,629 was applied against purchased gas expense, \$187,502 was added to the provision for income taxes and the remaining future net liability of \$203,127 is reserved for on the balance sheet. The reserves and deferred expense referred to above will be applied in 1966.
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TRANSFER AGENT AND REGISTRAR

MONTREAL TRUST COMPANY, *Edmonton, Alberta - Calgary, Alberta*
Toronto 1, Ontario - Montreal 1, Quebec

AUDITORS

PEAT, MARWICK, MITCHELL & CO., *1002 Empire Building, Edmonton, Alberta*

COMBINED STATISTICAL DATA

Relating to
Alberta's Major Associated Natural Gas Utility Companies
NORTHWESTERN UTILITIES, LIMITED
CANADIAN WESTERN NATURAL GAS COMPANY LIMITED

	<u>1965</u>	<u>1964</u>	<u>1963</u>	<u>1962</u>	<u>1961</u>	<u>1955</u>
Customers at Year End	227,977	220,858	212,726	205,350	195,385	128,942
Natural Gas Sales . . . (thousands of cubic feet) (1) (4)	133,374,818	118,558,200	111,492,371	105,981,210	98,264,333	74,029,788
Revenue	\$ 45,684,932	\$ 41,223,945	\$ 38,242,828	\$ 36,900,355	\$ 33,991,895	\$ 18,835,027
Net Income	\$ 6,850,224	\$ 5,865,436	\$ 5,334,049	\$ 5,445,339	\$ 5,233,345	\$ 3,130,937
Annual Gross Additions to Plant . . . (2)	\$ 7,977,759	\$ 5,458,540	\$ 8,610,939	\$ 7,868,425	\$ 4,732,698	\$ 6,221,482
Gross Plant	\$150,775,296	\$141,711,174	\$137,023,008	\$129,147,031	\$121,960,580	\$ 68,967,971
Miles of Pipeline . . .	5,072	4,863	4,765	4,554	4,413	2,830
Maximum Daily Demand (thousands of cubic feet)	683,603	755,007	632,800	565,817	564,861	409,604
Communities Served . . (3)	166	164	161	161	152	63
Population Served . . .	929,000	879,000	844,000	808,000	768,000	511,000

(1) Due to the institution of therm billing in Northwestern Utilities, Limited, in 1959, natural gas sales for that company have been adjusted to a 1000 BTU equivalent basis for the years 1961 through 1965.

(2) Ten year total gross additions to Plant \$87,182,795.

(3) Figures prior to 1964 have been adjusted by deleting suburban communities now annexed to other communities. Statistics are now comparable in all years.

(4) 1965, 1964 and 1963 totals include gas sales to other producing companies.

SYSTEM MAP

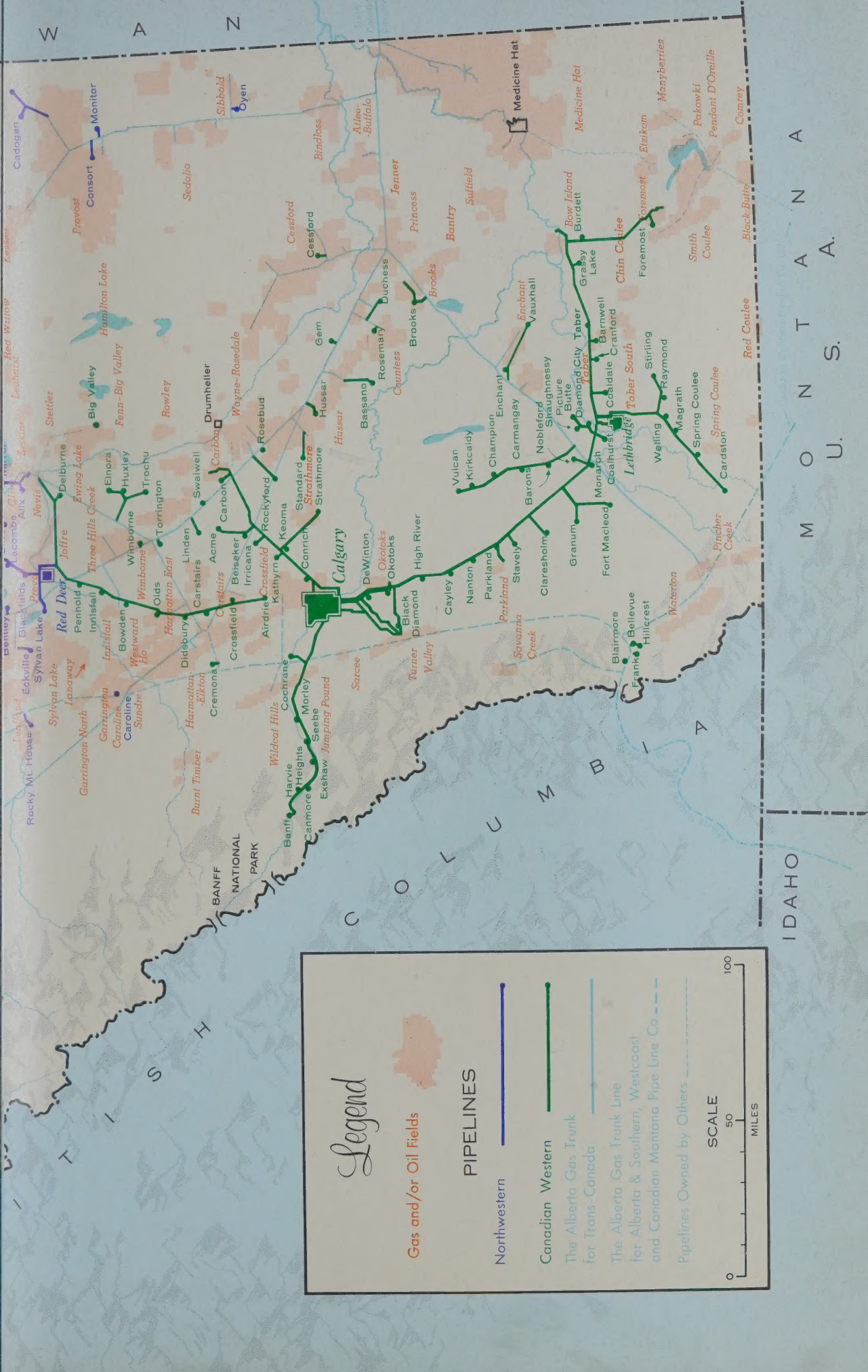
Northwestern Utilities, Limited

and

Canadian Western Natural Gas Company Limited

as of December 31st, 1965





Legend

Gas and/or Oil Fields

PIPELINES

Northwestern

Canadian Western

The Alberta Gas Trunk Line for Trans-Canada

The Alberta Gas Trunk Line for Alberta & Southern, Westcoast and Canadian Montana Pipe Line Co.

Pipelines Owned by Others

SCALE

0 50 100

MILES

